

**UNIVERSITY OF SOUTH CAROLINA
DEPARTMENT OF ATHLETICS**

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

FOR THE YEAR ENDED JUNE 30, 2012

**UNIVERSITY OF SOUTH CAROLINA
DEPARTMENT OF ATHLETICS**

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**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

The Audit and Compliance Committee
University of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the Audit and Compliance Committee and management of the University of South Carolina Department of Athletics (the Department), solely to assist the Department's management in obtaining assurance that they comply with National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.16. for the fiscal year ended June 30, 2012. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures Related to the Statement of Revenues, Expenditures, and Transfers

1. We obtained from the Department's management the Statement of Revenues, Expenses and Transfers (the Statement) for the year ended June 30, 2012, as shown in Attachment A of this report. We recalculated the mathematical accuracy of the Statement and compared actual revenues and expenses in the Statement for the year ended June 30, 2012, to the prior year amounts (fiscal year 2011). We identified actual variances of greater than 10% and \$100,000 from the prior year amounts and obtained explanations for variances from management.

We found no exceptions as a result of these procedures. Managements' explanations for the identified variances are as follows:

Revenues:

Third Party Compensation and Benefits – Increased by \$911,625, or 28%, due to merit increases and/or employee contracts for the following individuals:

<u>Employee</u>	<u>Increase</u>
Steve Spurrier	\$ 820,000
Darrin Horn	\$ 100,000
Eric Hyman	\$ 25,000

These increases were offset by a \$175,000 reduction in compensation for Ellis Johnson as he left midyear.

Broadcast, TV, Radio, Internet – Decreased by \$479,125, or 27%. The decrease is attributable to the \$675,000 being reclassified to the Third Party Compensation line item in fiscal year 2012. In addition, there was a rights fee increase of \$200,000 from fiscal year 2011.

Royalties, Licensing, Advertising Sponsorships – Increased by \$510,139, or 17%. This increase is attributable to \$582,500 received from Under Armour for additional rights fees and incentives. In fiscal year 2011, Under Armour withheld \$300,000 in rights fees until the contract was signed by the Department; this amount was recorded as revenue in fiscal year 2012. In addition, the Department received \$282,500 in incentives during fiscal year 2012 from Under Armour related to its fiscal year 2012 performance. The increase is also attributable to \$95,500 in annual contract increases with Under Armour, Gatorade, Colonial Life and IMG and \$40,000 additional revenue received from ASM due to higher sales volume in fiscal year 2012. These increases were offset by a reclassification of \$235,000 in Royalties, Licensing and Advertising revenue to the Third Party Compensation line item.

Other Revenue – Increased by \$823,278, or 26%. The increase is attributable to \$1,250,000 received from the East Carolina University game in Charlotte, which provided a profit split of net receipts from the game; there were no neutral site games during fiscal year 2011. The change is also attributable to five fewer arena events in 2012 than 2011 resulting in a \$265,000 decrease to Other Revenue. Revenue from football stadium chairbacks of \$205,000 was also reclassified from Other Revenue in 2011 to Program, Concession, Novelty and Parking revenue in 2012.

Expenses:

Guarantees – Decreased by \$330,797, or 13%. Larger guarantees are required to be paid by the Department for out-of-state non-conference football and basketball games. Only one out-of-state non-conference game occurred in fiscal year 2012, compared to two in fiscal year 2011. This resulted in a \$470,000 decrease in guarantee expense. This decrease was offset by a \$115,000 increase due to eight opponents with guarantees paid by the Department for the fiscal year 2011 basketball season compared to nine in the fiscal year 2012 season.

Coaching Compensation Paid by a Third Party – Increased by \$880,625, or 28%. The increase is attributable to pay raises approved by the Board of Trustees for Steve Spurrier, Darrin Horn and Ray Tanner.

Support Staff/Administrative Salaries & Benefits – Increased by \$1,356,314, or 10%. The increase is attributable to select individuals receiving pay increases during the 2011-2012 fiscal year. In addition, there were several new positions created, specifically in the Academic Support & Compliance departments. Part-time employment also increased in the physical plant operations as some responsibilities were brought in-house rather than contract through a third party. Payroll increases by department were as follows: approximately \$160,000 in Academic, \$224,000 in Compliance and \$215,000 in Physical Plant.

Severance Payments – Increased by \$2,241,128 or 100%. The increase is attributable to the termination of Darrin Horn, head men's basketball coach, during the current year. There were no severance payments made during fiscal year 2011.

Expenses, Continued:

Equipment, Uniforms and Supplies – Increased by \$332,802, or 15%. The increase is attributable to approximately \$263,000 in changes to specific uniforms. The University implemented a slight color change in garnet, which required an additional set of new uniforms to be purchased for most teams.

Spirit Groups – Increased by \$381,598, or 136%. In 2011, approximately \$377,500 in certain expenses, related to support for the band, was recorded as a transfer. In 2012, this support was recorded as Spirit Groups expense.

2. We obtained the Statement and traced all revenues and expenses to management's worksheets and agreed the amounts on management's worksheets to the related series of accounts in the Department's general ledger. We discussed the nature of the worksheet adjustments with management to determine if adjustments have a supported explanation.

We found no exceptions as a result of these procedures.

3. We randomly selected a sample of twenty-five receipts for the year ended June 30, 2012 from the Department's point of sale units located in the ticket office. For each receipt selected, we performed the following procedures:
 - a. Traced its receipt to the daily cash receipts report,
 - b. Agreed the daily cash receipts report to the validated deposit slip,
 - c. Traced the receipt to posting in the general ledger, and
 - d. Sub-selected three receipts for each day and compared from the ticket application to the Department's Archtics ticketing system.

We found no exceptions as a result of these procedures.

4. We randomly selected twenty five contribution receipts for the year ended June 30, 2012 from a contribution report provided by the Department and compared the amount of the contribution and donor information per the report to supporting check copies and receipts.

We found no exceptions as a result of these procedures.

5. We randomly selected twenty five cash disbursements for the year ended June 30, 2012 from a check register provided by the Department. For each selected cash disbursement, we compared the disbursed amount and payee information to supporting invoices and inspected each disbursement's voucher package for the signature of the Department supervisor.

We found no exceptions as a result of these procedures.

6. We compared the revenue from football and men's basketball ticket sales per the Department's general ledger to the Department's ticketing system's Event Audit Reports for the year ended June 30, 2012.

We found no exceptions as a result of these procedures.

7. We obtained the University's calculation of student athletic fees for the fiscal year ended 2012 and performed the following procedures:
 - a. Recalculated the mathematical accuracy of the calculation.
 - b. Compared student enrollment used in the calculation to the University's official enrollment data obtained from the Institutional Assessment and Compliance (IAC) for the Fall 2011 and Spring 2012 semesters.
 - c. Compared the total of the University's calculation for student athletic fees to the Statement.

We noted that the University's calculation was within 3.5% of the amount recorded in the Statement. We found no other exceptions as a result of these procedures.

8. We selected the settlement statement from the East Carolina University away football game from a schedule provided by the Department. We compared the settlement revenue on the schedule provided by the Department to the amount specified in the game agreement and related contract with East Carolina University.

We found no exceptions as a result of these procedures. Per management, there were no settlement statements for men's basketball away games during the current year.

9. We obtained a schedule of contributions for the year ended June 30, 2012 and examined the schedule for individual contributions in excess of 10% of total contributions.

We noted no individual contributions in excess of 10% of total contributions.

10. We obtained from the Department a report detailing all third-party support revenue recorded by the Department for the year ended June 30, 2012. We haphazardly selected three coaches from the report and for each coach selected; we compared the third-party support revenue on the schedule provided by the Department to amounts specified in the related Under Armor and Gamecock Sports Properties contracts. We recalculated the mathematical accuracy of the third-party support revenue per the report provided by the Department.

We found no exceptions as a result of these procedures.

11. We obtained the revenue distribution agreements from the Southeastern Conference detailing revenue distributions for the football and men's basketball teams. We compared the settlement revenue on the schedule provided by the Department to amounts reported in the revenue distribution agreements.

We found no exceptions as a result of these procedures.

12. We obtained and inspected two contracts for broadcast, television, radio and internet rights for the year ended June 30, 2012. We compared the amounts reflected in the contracts with International Sports Properties, Inc. and Under Armour provided to the corresponding revenue amounts in the Statement.

We found no exceptions as a result of these procedures.

13. We obtained and inspected two contracts for royalties, licensing, advertisements, and sponsorships for the year ended June 30, 2012. We compared the amounts reflected in the contracts with International Sports Properties, Inc. and Under Armour to the corresponding revenue amounts in the Statement.

We found no exceptions as a result of these procedures.

14. We obtained from management for the fiscal year ended 2012 a detail of Department endowments and a detail of endowment expenses. From the detail of Department endowments we haphazardly selected two endowments and performed the following procedures:
 - a. Haphazardly selected five transactions from the detail of endowment expenses and obtained the related invoice.
 - b. Compared the nature of invoices obtained in procedure “a” to stipulations noted in the selected endowment’s agreement.

We found no exceptions as a result of these procedures.

15. We haphazardly selected three student athletes who have received athletic student financial aid during the year ended June 30, 2012 from a schedule provided by the Department. For each student athlete selected, we obtained a detail of each student’s account and compared the total aid awarded per the detail to an award letter.

We found no exceptions as a result of these procedures.

16. We haphazardly selected two guarantees for visiting teams from a schedule provided by the Department. For each of these guarantees, we compared the guarantee expenses on the schedule to the amounts specified in game contracts.

We found no exceptions as a result of these procedures.

17. We obtained a listing of Department coaches employed by the Department for the year ended June 30, 2012. From this listing, we haphazardly selected three men’s sport and three women’s sport coaches. For each of the selected coaches, we compared the recorded salary expense, including salary, benefits, and bonuses paid by the Department per the Department’s general ledger to the employees’ contracts.

We found no exceptions as a result of these procedures.

18. We obtained a listing of Department coaches who received other compensation and benefits paid by a third-party during the year ended June 30, 2012. From this listing, we haphazardly selected two coaches and compared the compensation and benefits paid by the third-party to amounts specified in each respective employee contract.

We found no exceptions as a result of these procedures.

19. We obtained a listing of support staff/administrative employees who were employed by the Department for the year ended June 30, 2012. From this listing, we selected three support/administrative staff and compared their recorded salary, benefits and bonuses, if any, from the general ledger to their employment contracts.

We found no exceptions as a result of these procedures.

20. We obtained a listing of support staff/administrative salaries, benefits and bonuses paid by a third-party during the year ended June 30, 2012. From this listing, we haphazardly selected two support/administrative staff and compared, for reasonableness, the compensation and benefits paid by the third-party to amounts specified in each respective employee contract.

We found no exceptions as a result of these procedures.

21. We obtained the termination letter for Darrin Horn and agreed the severance payment amount to the Statement.

Per management, there was only one severance payment made during the year. We noted no exceptions as a result of these procedures.

22. We obtained a copy of the Department's team recruiting expense policies and compared it to related policies documented in the NCAA Division I Manual.

Based on the inspection of these documents, requirements are substantially the same.

23. We obtained a copy of the Department's travel expense policies and compared it to related policies documented in the NCAA Division I Manual.

Based on the inspection of these documents, requirements are substantially the same.

We were not engaged to, and we did not, perform an audit, the objective of which would be the expression of an opinion on the specified areas, accounts, or items and on the effectiveness of internal control over financial reporting described in paragraph one and procedures described in this report. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we conducted an audit or review of the financial statements of the Department or any part thereof, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Audit and Compliance Committee and management of the University of South Carolina Department of Athletics and is not intended to be and should not be used by anyone other than these specified parties.



Columbia, South Carolina
February 18, 2013

UNIVERSITY OF SOUTH CAROLINA - COLUMBIA
DEPARTMENT OF ATHLETICS
Statement of Revenues, Expenses and Transfers
For the year ended June 30, 2012
(UNAUDITED)

Attachment A

	Football	Men's Basketball	Women's Basketball	Other Sports	Non- Program Specific	Total
REVENUES						
Admissions/ticket sales	\$ 16,965,806	\$ 1,188,683	\$ 54,142	\$ 1,532,154	\$ 309,000	\$ 20,049,785
Student athletic fees	-	-	-	-	2,338,268	2,338,268
Guarantees	300,000	-	-	3,500	-	303,500
Contributions	9,746,213	184,544	-	606,078	14,629,042	25,165,877
Compensation and benefits provided by a third party	2,563,125	750,000	400,000	365,000	87,000	4,165,125
NCAA/Conference distributions	15,215,746	5,130,660	132,602	602,205	1,264,139	22,345,352
Broadcast television, radio and internet rights	964,281	318,094	-	-	-	1,282,375
Program, concession, novelty sales and parking	2,580,250	1,610	490	406,956	636,348	3,625,654
Royalties, licensing, advertisements and sponsorships	-	-	-	-	3,578,562	3,578,562
Sports camp revenues	-	-	-	-	13,341	13,341
Endowment and investment income	-	-	-	-	695,287	695,287
Other operating revenues	1,262,913	-	-	63,165	2,719,151	4,045,229
Total revenues	<u>49,598,334</u>	<u>7,573,591</u>	<u>587,234</u>	<u>3,579,058</u>	<u>26,270,138</u>	<u>87,608,355</u>
EXPENSES						
Athletic student financial aid	3,031,475	398,774	539,021	4,738,959	128,153	8,836,382
Guarantees	1,460,000	660,239	89,000	31,200	-	2,240,439
Coaching salaries, benefits, and bonuses paid by the University and related entities	3,587,599	1,162,785	827,224	4,195,871	-	9,773,479
Coaching salaries, benefits, and bonuses paid by a third party	2,563,125	750,000	400,000	365,000	-	4,078,125
Support staff/administrative salaries, benefits, and bonuses paid by the University and related entities	1,164,627	379,143	289,188	442,874	12,570,172	14,846,004
Support staff/administrative salaries, benefits, and bonuses paid by a third party	-	-	-	-	87,000	87,000
Severance payments	-	2,241,128	-	-	-	2,241,128
Recruiting	257,490	126,345	113,714	452,631	-	950,180
Team travel	1,456,903	474,796	577,586	2,513,164	-	5,022,449
Equipment, uniforms and supplies	1,176,257	120,054	92,677	1,166,536	-	2,555,524
Game expenses	4,600,952	593,027	309,227	1,889,793	44,096	7,437,095
Fund raising, marketing and promotion	73,445	18,260	11,106	44,209	2,343,172	2,490,192
Sports camp expenses	-	-	-	-	89,213	89,213
Direct facilities, maintenance and rental	2,495,497	253,184	168,039	1,859,425	9,606,796	14,382,941
Spirit groups	-	-	-	-	662,844	662,844
Medical expenses and insurance	-	-	-	-	1,105,995	1,105,995
Memberships and dues	3,242	922	1,469	44,111	36,638	86,382
Other operating expenses	326,592	147,855	44,644	416,266	7,142,308	8,077,665
Total expenses	<u>22,197,204</u>	<u>7,326,512</u>	<u>3,462,895</u>	<u>18,160,039</u>	<u>33,816,387</u>	<u>84,963,037</u>
TRANSFERS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,179,963</u>	<u>2,179,963</u>
Excess (deficiencies) of revenues over (under) expenses and transfers	<u>\$ 27,401,130</u>	<u>\$ 247,079</u>	<u>\$ (2,875,661)</u>	<u>\$ (14,580,981)</u>	<u>\$ (9,726,212)</u>	<u>\$ 465,355</u>

**UNIVERSITY OF SOUTH CAROLINA
DEPARTMENT OF ATHLETICS
NOTES TO STATEMENT OF REVENUES, EXPENSES AND TRANSFERS
(UNAUDITED)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The University of South Carolina Department of Athletics (the Department) is an auxiliary enterprise of the University of South Carolina (the University) and as such is responsible for the Intercollegiate Athletic Program of the University. The Department's transactions are reported in the University's unrestricted current funds in the auxiliary enterprises subgroup.

Basis of Presentation – The accompanying Statement of Revenues, Expenses and Transfers (the Statement) presents the recorded amounts of revenues and expenses of the University of South Carolina's Department of Athletics. It is not intended to be a complete presentation of the revenues and expenses of the University of South Carolina or the University of South Carolina Department of Athletics. The Statement has been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses when supplies or services are received.

Indirect costs, including general administrative costs, maintenance, and other related costs, are not allocated because the Department pays explicitly for Department services.

Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts that are restricted by the donor are reported as deferred revenue until such time as the restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished).

Student Fees – For the year ended June 30, 2012, the University provided revenue (funding) to the Department for estimated athletic event tickets provided to students. This revenue is calculated by the estimated undergraduate student head count and a guaranteed associated relief payment. The Department recognized \$2,338,268 in student fees for the year ended June 30, 2012.

Athletic Student Aid – The Statement includes athletic financial assistance awards for students participating in athletic programs. Financial assistance awarded to athletic participants on the basis of other criteria, such as need or academic excellence, is not reflected in the Statement.

NOTE 2 - NCAA LEGISLATION

In June 1985, the National Collegiate Athletics Association (NCAA) adopted legislation that required all expenses for, or on behalf of, an institution's intercollegiate athletics program, including those by outside organizations, to be included in the statement of revenues, expenses and transfers.

In January 1987, the NCAA constitution was amended to exempt from the audit requirement those with operating budgets for intercollegiate athletics of less than \$300,000.

In January 1988, effective January 14, 1988, the constitution was again amended. This amendment removed the audit requirement from the NCAA constitution and incorporated its provision into three separate bylaws, which contain revisions specific to each membership division. In August 2004, the NCAA replaced the financial audit guidelines with a set of agreed-upon procedures.

NOTE 2 - NCAA LEGISLATION, Continued

As a Division I member of the NCAA, the Department is required to have agreed-upon procedures performed on the Statement each year. NCAA bylaws require all expenses for, or on behalf of, the University's Intercollegiate Athletics Program, including those by outside organizations, to be included on the Statement.

NOTE 3 - CAPITAL EXPENDITURES

The University expended approximately \$10,958,481 for capital items, which were funded by revenues related to athletics. These amounts are not included in the Statement.

NOTE 4 - OUTSIDE ORGANIZATIONS

The Gamecock Club is a 501(C)(3) organization with its own charter and Board which has as its primary mission to promote intercollegiate athletics at the University of South Carolina through scholarship fundraising, general fundraising and awareness of the University's athletic program. Certain activities of the Gamecock Club have been included in the Statement.

NOTE 5 - DEFERRED REVENUE

The Department collected Fall 2012 ticket revenue on or before June 30, 2012 of approximately \$10,771,000. Recognition of these revenues has been deferred until the year ended June 30, 2013. The Statement for the year ended June 30, 2012 reflects approximately \$10,941,000 in revenues which were collected on or before June 30, 2011 and which were reflected as deferred revenue at June 30, 2011. This amount is included in ticket sales in the Statement.

NOTE 6 - REVENUE CONCENTRATION

The Department received significant revenue from the Southeastern Conference and the Gamecock Club. These two revenue sources and amounts are included in the Statement. The Southeastern Conference provided revenue in distributions totaling approximately \$20,189,000. The Gamecock Club provided approximately \$13,406,000.